

OTHER NOTE DISCLOSURES

NOTE 17.
WORKERS' COMPENSATION

The State has elected, with a few exceptions, to be self-insured against loss or liability. The State generally does not maintain reserves; losses are covered by appropriations in the year in which the payment occurs. Workers' compensation benefits for self-insured agencies are initially paid by the State Compensation Insurance Fund. The State Compensation Insurance Fund estimated the liability for future workers' compensation claims against the State's self-insured agencies to be approximately \$753 million as of June 30, 1995. The liability represents the estimated total cost of all open and known disability claims as of June 30, 1995. The estimates are based on established claims criteria such as age of the injured, occupation, and type of injury. It is included in the accompanying financial statements. Of the total, \$94 million is included in the General Fund, \$62 million in the special revenue fund type, \$26 million in the proprietary fund types and \$571 million in the general long-term obligations account group. Changes in the claims liabilities during fiscal year 1994-95 are shown in Table 23.

Table 23
Schedule of Change in the Liability for Workers' Compensation Claims

(In Thousands)

	Workers' Compensation Claims
Unpaid claims, July 1, 1994.....	\$ 773,000
Incurred claims.....	161,000
Less: claim payments.....	(181,000)
Unpaid Claims, June 30, 1995.....	<u>\$ 753,000</u>

NOTE 18.
SEGMENT INFORMATION

Selected financial information by enterprise fund activity for major segments is shown in Table 24.

Table 24**Schedule of Enterprise Fund Activity by Major Segments**

As of and for the Year Ended June 30, 1995 (In Thousands)

	Housing Loan	Water	School Building Aid	Toll Facilities	State University	Leasing of Public Assets	Lottery	Harbors and Watercraft	Health Facilities Construction	Other Enterprise
Operating revenue.....	\$ 290,548	\$ 526,513	\$ 25,432	\$ 138,250	\$ 233,479	\$ 234,858	\$ 2,166,121	\$ 14,546	\$ 19,054	\$ 73,929
Operating income (loss).....	(38,531)	174,861	19,588	99,829	53,799	485	754,809	(19,233)	15,717	729
Net income (loss).....	(29,574)	23,386	(21,490)	108,012	26,522	489	770,006	(29,284)	15,717	15,342
Property, plant, and equipment										
Additions.....	243	173,460	—	25,811	21,716	61,833	7,789	57	100	6,183
Deductions.....	(868)	(57,009)	(3,720)	—	(5,418)	(36,764)	(15,189)	—	—	(1,970)
Total assets.....	4,052,948	4,738,646	412,183	1,585,918	1,015,553	5,173,578	2,515,834	299,400	143,166	131,691
Bonds and other long term liabilities.....	(3,665,722)	(3,474,678)	(34,750)	(69,180)	(337,524)	(4,995,812)	(1,979,658)	—	—	(68,675)
Total equity.....	(292,548)	(1,047,893)	(287,078)	(1,508,832)	(604,580)	(37,285)	—	(185,992)	(142,375)	(37,352)

The primary sources of enterprise fund revenues are as follows:

Housing Loan - Interest charged on contracts of sale of properties to California veterans and to California National Guard members, loan origination fees, and interest on investments.

Water - Charges to local water districts, sale of excess power to public utilities, and interest earned on investments.

School Building Aid - Interest charged on loans to school districts for acquisition, construction, or rehabilitation of classroom facilities; and income from the rental of portable classrooms to school districts.

Toll Facilities - Toll fees and interest earned on investments.

State University - Charges to students for housing and parking; student fees for campus unions, health centers, and self-supporting educational programs; and interest earned on investments.

Leasing of Public Assets - Rental charges from the lease of public assets and interest earned on investments.

Lottery - Sale of lottery tickets.

Harbors and Watercraft - Fees related to boating activities.

Health Facilities Construction - Construction project fees, income from operations or proceeds of sales of property acquired by default of borrowers.

Other Enterprises - Canteen revenues, and processing fees charged by various other departments.

NOTE 19.**CONTINGENT LIABILITIES**

Litigation - The State is a party to numerous legal proceedings, many of which normally occur in governmental operations. The following were accrued as a liability in the financial statements: legal proceedings that were decided against the State before June 30, 1995, legal proceedings that were in progress at June 30, 1995, and that were settled or decided against the State as of December 15, 1995, and legal proceedings having a high probability of resulting in a decision against the State as of December 15, 1995, and for which amounts could be estimated. For governmental fund types and expendable trust funds, the portion of the liability that is expected to be paid within the next 12 months is recorded as a liability of the fund from which payment will be made; the remainder is shown as a liability of the General Long-Term Obligations Account Group. For other fund types, the entire liability is recorded in the fund involved. In addition, the State is involved in certain other legal proceedings that, if decided against the State, may require the State to make significant future expenditures or may impair future revenue sources. Because of the prospective nature of these proceedings, no provision for this potential liability has been made in the accompanying financial statements.

Following are the more significant lawsuits pending against the State:

The State is involved in a lawsuit, *Thomas Hayes v. Commission on State Mandates*, related to state-mandated costs. The action involves an appeal by the Director of Finance from a 1984 decision by the State Board of Control, (now succeeded by the Commission on State Mandates (Commission)). The Board of Control decided in favor of local school districts' claims for reimbursement for special education programs for handicapped students. The case was then brought to the trial court by the State and later remanded to the Commission for redetermination. The Commission has since expanded the claim to include supplemental claims filed by seven other educational institutions; the issuance of a final consolidated decision is anticipated sometime after September 1996. To date, the Legislature has not appropriated funds. The liability to the State, if all potentially eligible school districts pursue timely claims, has been estimated by the Department of Finance at over \$1 billion.

The State is involved in a lawsuit related to contamination at the Stringfellow toxic waste site. In *United States, People of the State of California v. J. B. Stringfellow, Jr., et al.*, the State is seeking recovery for past costs of cleanup of the site, a declaration that the defendants are jointly and severally liable for future costs, and an injunction ordering completion of the cleanup. However, the defendants have filed a counterclaim against the State for alleged negligent acts. Because the State is the present owner of the site, the State may be found liable. Present estimates of the cleanup range from \$200 million to \$800 million.

The State is a defendant in a coordinated action involving 3,000 plaintiffs seeking recovery for damages caused by the Yuba River flood of February 1986. The trial court has found liability in inverse condemnation and awarded damages of \$500,000 to 12 sample plaintiffs. The State's potential liability to the remaining 3,000 plaintiffs from claims filed ranges from \$800 million to \$1.5 billion. An appeal has been filed.

The State is a defendant in *California Teachers Association v. Russell S. Gould, et al.*, where the petitioners are challenging a recharacterization of \$1.083 billion of appropriations for fiscal year 1991-92 and \$190 million in the 1992-93 fiscal year as emergency loans rather than Proposition 98 funds. The petitioners are seeking a declaration that all appropriated funds are Proposition 98 funds and, therefore, must be included in the minimum funding guarantee for schools. The trial court ruled that the appropriations are not Proposition 98 funds and should not be included in the minimum funding calculation in future years.

The petitioners also challenged the Legislature's appropriation of \$973 million in the 1992-93 fiscal year and \$787 million in the 1993-94 fiscal year to schools. The appropriations, which the Legislature called "emergency loans," were in excess of the Proposition 98 guarantee of minimum funding and the Legislature explicitly excluded those excess funds from being included in the future Proposition 98 minimum funding guarantee. The trial court found that amounts which the State appropriated to schools as loans, in excess of the Proposition 98 guarantee, were considered to be Proposition 98 funding and were required to be used to calculate the Proposition 98 requirement in future years. Moreover, the trial court found that the State cannot require schools to repay the appropriations which were characterized as loans. The parties are currently negotiating a settlement which will require court approval. An appeal is pending awaiting the outcome of the settlement. Notwithstanding the settlement, the State passed legislation that forgave \$50 million of the loans as of June 30, 1995, and will forgive \$100 million during fiscal year 1995-96. The \$50 million is included as 1994-95 fiscal year expenditures of the General Fund.

The State is a defendant in *Parr, et al. v. State of California* where a number of state employees filed a complaint in federal court claiming that payment of wages in registered warrants violated the Fair Labor Standards Act (FLSA) on the premise that registered warrants were neither cash nor cash equivalents. In December 1992, the federal court ruled that the issuance of registered warrants is a violation of the FLSA. The court has since withdrawn its December 1992 ruling, and the parties continue to litigate to determine whether the issuance of registered warrants to employees violated the FLSA. If the State loses, the maximum amount of damages will be approximately \$500 million.

The State is a defendant in three lawsuits and numerous administrative proceedings involving the exclusion of small business stock gains from certain taxes. The lead case is

Pearce Investments, Ltd., et al., (Gordon P. Getty Family Trust) v. Franchise Tax Board. In the event of an adverse outcome, the effect on the State will be dependent upon the rationale for the decision and the subsequent application by the courts. However, the State could be required to refund an estimated \$500 million.

The State is a defendant in two lawsuits challenging the transfer of monies from special fund accounts within the State Treasury to the State's General Fund pursuant to the Budget Acts of 1991, 1992, 1993, and 1994. Plaintiffs in the case of *Malibu Video Systems, et al. v. Kathleen Brown, et al.* allege in the state court action that the monetary transfers violated various state statutes and provisions of the State constitution. In the companion federal case, plaintiffs allege that the monetary transfers violated the Equal Protection Clause of the United States Constitution. The plaintiffs seek to have the transfers reversed and the monies, allegedly totaling approximately \$956 million, returned to the special funds. These cases are an attempt to expand prior litigation in which certain transfers made pursuant to the 1992 Budget Act were found to be unlawful (e.g., *California Medical Association v. Hayes*). Actual damages, if any, awarded as a result of these lawsuits could vary significantly and will require a fund-by-fund analysis of the legality of the transfers.

The State is a defendant in *California State Employees Association v. Wilson*, where the petitioners are challenging several budget appropriations in the 1994 and 1995 budget acts. The appropriations mandate the transfer of funds from the State Highway Account to the General Fund to reimburse the General Fund for debt service costs on two rail bond measures. The petitioners contend that the transfers violate the bond acts themselves and are requesting the moneys be returned. The loss to the State's General Fund could be up to \$227 million.

In a similar case, *Professional Engineers in California Government v. Wilson*, the petitioners are challenging several appropriations in the 1993, 1994, and 1995 Budget Acts. The appropriations mandate the transfer of approximately \$262 million from the State Highway Account and \$113 million from the Motor Vehicle Account to the General Fund and appropriate approximately \$6 million from the State Highway Account to fund a highway-grade crossing program administered by the Public Utilities Commission. Petitioners contend that the transfers violate several constitutional provisions and request that the moneys be returned to the State Highway Account and Motor Vehicle Account.

The State is a defendant in *Just Say No To Tobacco Dough Campaign v. State of California*, where the petitioners challenge the appropriation of approximately \$166 million of Proposition 99 funds in the Cigarette and Tobacco Products Surtax Fund for fiscal years 1989-90 through 1994-95 for programs which were allegedly not health education or tobacco-related disease research. If the State loses, the General Fund and funds from other sources would be used to

reimburse the Cigarette and Tobacco Products Surtax Fund for approximately \$166 million.

Federal Audit Exceptions - The State receives substantial funding from the federal government in the form of grants and contracts. The State is entitled to these resources only if it complies with the terms and conditions of the grants and contracts and with the applicable federal laws and regulations; the State may spend these resources only for eligible purposes. If audits disclose exceptions, the State may incur a liability to the federal government.

A federal audit report asserts that the State owes the federal government \$122 million. This amount represents the federal share of pension reserves used to offset the State's General Fund retirement contributions in fiscal years 1991-92 and 1992-93. The State contends there was no reduction of state costs nor was there a reduction of federal costs.

NOTE 20.**DEFERRED COMPENSATION PLANS**

The State administers a long-term tax deferred savings program designed to supplement the retirement income of state employees. This program is comprised of a deferred compensation plan (457) in accordance with Section 457 of the Internal Revenue Code and a thrift plan (401k) in accordance with Section 401(k) of the Internal Revenue Code. In addition, this program includes a mandatory retirement plan for employees covered by neither the Public Employees Retirement System (PERS) nor Social Security called the Part-Time, Seasonal and Temporary Plan (PST).

The 457 and 401(k) plans are optional plans for eligible employees. Employees under each plan defer receiving portions of their salaries, thereby deferring taxation on these portions, until they leave state service or face a serious financial emergency. Participants of the 457 and 401(k) plans direct the State to invest the deferred amounts among various investment options. The State makes no contribution to any of these plans and the cost of the program is paid as administrative fees by the program participants. The assets in the 457 plan remain the property of the employer until paid or made available to participants, subject only to the claims of the state's general creditors.

The PST plan is a mandatory plan for employees who are not members of the State's retirement system and who are not covered by social security. The State invests PST plan participants' deferred amounts into an investment option of the State's choosing. The State makes no contribution to the PST plan but the administrative costs to run the PST program are paid by the State.

The State of California has no liability for losses under the plans but does have the responsibility to administer the plans in good faith. As of June 30, 1995, the market value of the three plans was approximately \$2.2 billion for the 457 plan, \$182 million for the 401(k) plan and \$32 million for the PST plan.

NOTE 21.

POST RETIREMENT HEALTH CARE BENEFITS

In addition to providing pension benefits, the State provides health care and dental benefits to annuitants of retirement systems to which the State contributes as an employer. To be eligible for these benefits, first tier plan annuitants must retire from the State on or after attaining age 50 with at least five years of service, and second tier plan annuitants must retire from the State on or after attaining age 55 with at least 10 years of service. In addition, annuitants must retire within 120 days of separation from State employment to be eligible to receive these benefits. As of June 30, 1995, approximately 90,000 annuitants were enrolled to receive health benefits and approximately 85,000 annuitants were enrolled to receive dental benefits. In accordance with the Government Code, the State generally pays 100 percent of the health insurance cost for annuitants plus 90 percent of the additional premium required for the enrollment of family members of annuitants. Although the State generally pays 100 percent of the dental insurance premium for annuitants, the Government Code does not specify the State's contribution toward dental insurance costs. The State recognizes the cost of providing health and dental insurance to annuitants on a pay-as-you-go basis. The cost of these benefits in fiscal year 1994-95 was approximately \$297 million. This amount did not increase over the previous year due to a combination of a decrease in health insurance premiums, and increases in the number of eligible annuitants.

NOTE 22.

SUBSEQUENT EVENTS

From July 1, 1995 to December 15, 1995, the State issued approximately \$461 million in general obligation bonds and \$44 million in revenue bonds. Refunding bonds, which are used to refinance existing debt, accounted for \$81 million of the general obligation bonds and the entire \$44 million of the revenue bonds.

NOTE 23.

BUILDING AUTHORITIES

Building Authorities have been created through the use of Joint Exercise of Powers Agreements with various cities to finance the construction of state buildings. The building authorities are legally separate from the State of California. They meet the criteria of blended component units and are being reported as capital projects funds. As a result, the capital lease arrangements between the building authorities and the State of \$319 million have been eliminated from the combined balance sheet. Instead only the underlying fixed assets and the debt used to acquire them are reported in the appropriate account groups. Information on the revenue bonds and certificates of participation are included in Note 14 and Note 11, respectively. Below is a list and description of

these five building authorities:

The **Oakland State Building Authority** was created in 1994, by a Joint Exercise of Powers Agreement (JPA) between the State, acting through the director of the Department of General Services and the Oakland Redevelopment Agency for the purpose of financing the acquisition of land and to plan, design and complete the construction of the Elihu M. Harris Building, as well as the leasing and financing required to accomplish these goals and administer these tasks. Copies of the financial statements may be obtained from Oakland State Building Authority, 300 Lakeside Drive, Suite 130, Oakland, California 94612-3534.

The **East Bay State Building Authority** was created in 1989, by a JPA between the Department of General Services, the Department of Transportation, and the City of Oakland for the purpose of financing the acquisition of land and the construction of a Department of Transportation state office building and parking facilities. Copies of the financial statements may be obtained from the East Bay State Building Authority, 111 Grand Avenue, Oakland, California 94612.

The **Los Angeles State Building Authority** was created in 1982, by a JPA between the State, acting through the director of the Department of General Services, and the Community Redevelopment Agency of the City of Los Angeles for the purpose of financing the construction of a Los Angeles state office building. Copies of the financial statements may be obtained from the Los Angeles State Building Authority, 300 South Spring Street, Los Angeles, California 90013.

The **San Francisco State Building Authority** was created by a JPA between the State, acting through the director of the Department of General Services, and the Redevelopment Agency of the City and County of San Francisco for the purpose of financing the acquisition of land and the design and construction of a state building. Copies of the financial statements may be obtained from the San Francisco State Building Authority, San Francisco Redevelopment Agency, 770 Golden Gate Avenue, San Francisco, California 94102.

The **California State University and Colleges Headquarters Building Authority** was created by a JPA between the City of Long Beach and the Trustees of the California State University and Colleges for the purpose of acquiring, constructing, maintaining, operating, leasing, and subleasing buildings for public education purposes, including a headquarters building for the Trustees. Copies of the financial statements may be obtained from the California State University and Colleges Headquarters Building Authority, 400 Golden Shore, Suite 102, Long Beach, California 90802-4275.

NOTE 24.**PENSION TRUSTS**

The State has two retirement systems: the California Public Employees' Retirement System (CalPERS) and the State Teachers' Retirement System (STRS). CalPERS administers four defined benefit contributory retirement plans: the Public Employees' Retirement Fund (PERF), the Judges' Retirement Fund (JRF), the Judges' Retirement Fund II (JRF II), the Legislators' Retirement Fund (LRF), and one defined benefit award plan, the Volunteer Firefighters' Length of Service Award Fund. STRS administers one defined benefit contributory retirement plan. The other pension funds are included in the fiduciary fund type. Additional information for each retirement system can be found in each system's separately issued financial report.

Public Employees' Retirement System

Plan Description: The CalPERS administers the Public Employees' Retirement Fund (PERF), an agent multiple-employer retirement plan. Employers participating in the PERF include the State of California, 61 school districts, and 1,249 public agencies. The CalPERS issues a publicly available report that includes financial statements and required supplementary information for the PERF. The financial report may be obtained by writing to the California Public Employees' Retirement System, Central Supply, P.O. Box 942715, Sacramento, California 94229-2715.

Summary of Significant Accounting Policies:

Basis of Accounting: The PERF uses the accrual basis of accounting. Contributions are actuarially determined and are recorded when due. Investment income is recognized when earned, and expenditures are recorded when incurred.

Investments: PERF investments are presented at fair value. Statutes authorize CalPERS to invest in stocks, bonds, mortgages, real estate, and other investments. CalPERS maintains certain deposits, cash equivalents, and other investments with financial institutions.

The fair value of investments is based on published market prices and quotations from major investment brokers at current exchange rates, as available. Many factors are considered in arriving at that fair value. In general, however, corporate bonds are valued based on yields currently available on comparable securities of issuers with similar credit ratings. Investments in certain restricted common stocks are valued at the quoted market price of the issuer's unrestricted common stock less an appropriate discount.

Mortgages have been valued on the basis of their future principal and interest payments discounted at prevailing interest rates for similar instruments. The fair value of real estate investments, principally rental property subject to long-term net leases, has been estimated based on independent appraisals. Short-term investments are reported at market value, when published market prices and quotations are available, or at cost plus accrued interest, which approximates

market value. For investments where no readily ascertainable market value exists, management, in consultation with their investment advisors, have determined the fair values for the individual investments.

Unfunded Actuarial Accrued Liability: The unfunded actuarial accrued liability of PERF, as adjusted to fair value, based on the Entry Age Normal Cost Method was \$2.7 billion at June 30, 1994. The actuarial accrued liability was determined as part of an actuarial valuation of the retirement plan performed as of June 30, 1994 which is the latest available valuation.

Judges' Retirement Funds

Plan Description: The CalPERS administers the Judges' Retirement Fund (JRF) and the Judges' Retirement Fund II (JRF II), which are agent multiple-employer retirement plans. There are 59 employers participating in the JRF and 12 employers participating in the JRF II. The CalPERS issues a publicly available financial report that includes financial statements and required supplementary information for the JRF and JRF II. The financial reports may be obtained by writing to the California Public Employees' Retirement System, Central Supply, P.O. Box 942715, Sacramento, California 94229-2715.

Summary of Significant Accounting Policies:

Basis of Accounting: The JRF and JRF II use the accrual basis of accounting. Contributions are recorded when due. Investment income is recognized when earned, benefits and administrative expenses are recorded when incurred.

Investments: JRF and JRF II investments are presented at fair value. Statutes authorize the CalPERS to invest in stocks, bonds, mortgages, real estate, and other investments. Short-term investments are reported at market value, when published market prices and quotations are available, or at cost plus accrued interest, which approximates market value.

Unfunded Actuarial Accrued Liability: The unfunded actuarial accrued liability of JRF, as adjusted to fair value, based on the Entry Age Normal Cost Method was \$1.3 billion at June 30, 1994. The actuarial accrued liability was determined as part of an actuarial valuation of the retirement plan performed as of June 30, 1994 which is the latest available valuation. No actuarial valuation was performed as of June 30, 1995 for JRF II as the fund commenced operations during fiscal year 1994-95.

Legislators' Retirement Fund

Plan Description: The CalPERS administers the Legislators' Retirement Fund (LRF), an agent single-employer retirement plan. The CalPERS issues a publicly available financial report that includes financial statements and required supplementary information for the LRF. The financial report may be obtained by writing to the California Public Employees' Retirement System, Central Supply, P.O. Box 942715, Sacramento, California 94229-2715.

Summary of Significant Accounting Policies:

Basis of Accounting: The LRF uses the accrual basis of accounting. Contributions are recorded when due. Investment income is recognized when earned, benefits and administrative expenses are recorded when incurred.

Investments: LRF investments are presented at fair value. Statutes authorize CalPERS to invest in stocks, bonds, mortgages, real estate, and other investments. CalPERS maintains certain deposits, cash equivalents, and other investments with financial institutions.

The fair value of investments is based on published market prices and quotations from major investment brokers at current exchange rates, as available. Many factors are considered in arriving at that fair value. In general, however, corporate bonds are valued based on yields currently available on comparable securities of issuers with similar credit ratings.

Mortgages have been valued on the basis of their future principal and interest payments discounted at prevailing interest rates for similar instruments. Short-term investments are reported at market value, when published market prices and quotations are available, or at cost plus accrued interest, which approximates market value.

Unfunded Actuarial Accrued Liability: The unfunded actuarial accrued liability of LRF, as adjusted to fair value, based on the Entry Age Normal Cost Method was \$14.3 million at June 30, 1994. The actuarial accrued liability was determined as part of an actuarial valuation of the retirement plan performed as of June 30, 1994 which is the latest available valuation.

Funding Progress: Table 25 shows the actuarial value of assets as a percentage of the actuarial accrued liability and the unfunded actuarial accrued liability as a percentage of the annual covered payroll as of June 30, 1994, 1993, and 1992.

Table 25**Schedule of Funding Progress for Legislators' Retirement Fund**

June 30, 1992 through June 30, 1994 (In Thousands)

Actuarial Valuation Date	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability (AAL) Entry Age	(3) Unfunded AAL (UAAL) (2) - (1)	(4) Funded Ratios (1)/(2)	(5) Annual Covered Payroll	(6) UAAL as a Percentage of Covered Payroll (3)/(5)
6/30/92	\$ 78,600	\$ 97,800	\$ 19,200	80.4 %	\$ 6,200	309.7 %
6/30/93	83,300	97,400	14,100	85.5	5,000	282.0
6/30/94	85,300	99,600	14,300	85.6	5,000	286.0

Volunteer Firefighters' Length of Service Award Fund

Plan Description: The CalPERS administers the Volunteer Firefighters' Length of Service Award Fund (VFF), an agent multiple-employer public employee defined benefit award plan. It currently has 24 participating fire departments. The CalPERS issues a publicly available financial report that includes financial statements and required supplementary information for the VFF. The financial report may be obtained by writing to the California Public Employees' Retirement System, Central Supply, P.O. Box 942715, Sacramento, California 94229-2715.

Summary of Significant Accounting Policies:

Basis of Accounting: The VFF uses the accrual basis of accounting. Contributions are actuarially determined and are recorded when due. Investment income is recognized when earned, and expenditures are recorded when incurred.

Investments: VFF investments are presented at fair value. Statutes authorize CalPERS to invest in stocks, bonds, mortgages, real estate, and other investments. The VFF maintains certain deposits, cash equivalents, and other investments with financial institutions. Fair values of investments are based on published market prices and quotations from major investment brokers, as available. Mortgage loans are stated at fair value. Fair value is determined based on future principal and interest payments and are discounted at prevailing interest rates for similar investments. Short-term and pooled investments are stated at market value, when published market prices and quotations are available, or at cost plus accrued interest, which approximates market value.

Unfunded Actuarial Accrued Liability: The unfunded actuarial accrued liability, as adjusted to fair value, is calculated based on the Unit Credit Actuarial Method. The VFF did not have an unfunded actuarial accrued liability, but instead had \$109,859 net assets available in excess of the actuarial accrued liability at June 30, 1994. The actuarial accrued liability was determined as part of an actuarial valuation of the retirement plan performed as of June 30, 1994 which is the latest available valuation.

State Teachers' Retirement Fund

Plan Description: The State Teachers' Retirement System (STRS) is a cost-sharing multiple-employer retirement system that provides pension benefits to teachers and certain other employees of the California public school system. At June 30, 1995, the STRS had approximately 1,150 contributing employers (school districts). The State is a nonemployer contributor to the STRS. Membership in the pension plan is mandatory for all employees who hold a teaching certificate and who are eligible for membership. The STRS issues a publicly available report that includes financial statements and required supplementary information for the STRS. The financial report may be obtained at the State Teachers' Retirement System, Accounting Division, 7667 Folsom Blvd., 2nd Floor, Sacramento,

California 95826.

Summary of Significant Accounting Policies:

Basis of Accounting: The accounting records of the STRS are maintained on the accrual basis of accounting. Member contributions are recognized in the period in which the contributions are due. Employer and State contributions are recognized when due and the employer or State has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the STRS retirement program.

Investments: The STRS invests in debt securities including obligations issued by the United States government, United States corporations with a credit rating of BBB or above, foreign corporate issues with a credit rating of A or above, government securities issued by countries contained in the Salomon Brothers World Government Bond Index, and notes collateralized by first mortgages and deeds of trust for real estate located in the United States. The STRS also invests in equities, including common and preferred stock of corporations domiciled in the United States, mutual funds, units of participation in commingled index funds, international securities, and other investments.

The majority of the securities held in the investment portfolio at June 30, 1995, is in the custody of or controlled by the State Street Bank and Trust Company, the STRS' master custodian.

All investments are recorded at fair value. The fair values of investments are generally based on published market prices and quotations from major investment firms. In the case of debt securities acquired through private placements, fair market value is computed by management, based on market yields and average maturity dates of comparable quoted securities.

Mortgages are valued on the basis of future principal and interest payments, and are discounted at prevailing interest rates for similar instruments. Real estate equity investment fair values represent the most recent independent appraisals (conducted in fiscal year 1994-95), updates to 1993-94 appraisals of properties purchased prior to fiscal year 1994-95, and current value estimates for properties purchased in the current year. Short-term investments are reported at cost, which approximates fair value.

Unfunded Actuarial Accrued Liability: The unfunded actuarial accrued liability of STRS was \$8.4 billion at June 30, 1993. The actuarial liability was determined as part of an actuarial valuation of the retirement plan performed as of June 30, 1993 which is the latest available valuation. No actuarial report is prepared in even numbered years. No estimation using actuarial methodology is made in years between valuations. The actuarial report for the year ended June 30, 1995 will be completed in the Spring of 1996.

NOTE 25.**DISCRETELY PRESENTED COMPONENT UNITS****A. University of California**

The University of California (UC) was founded in 1868 as a public, State-supported institution. The California State Constitution grants the UC full powers of government, subject only to legislative control necessary to ensure the security of its funds and compliance with certain administrative requirements. The majority of the 26-member independent governing board—the Regents of the University of California—are appointed by the Governor and approved by the state Senate. In addition, various UC programs and capital outlay projects are funded through appropriations from the State's annual Budget Act. The UC is discretely presented in the State's general purpose financial statements. Copies of the UC's separately issued financial statements may be obtained at the University of California, Corporate Accounting Office, 21st Floor, 300 Lakeside Drive, Oakland, California 94612-3550.

Basis of Presentation

The financial statements of the UC have been prepared in conformity with GAAP as prescribed by the National Association of College and University Business Officers and the Governmental Accounting Standards Board.

The UC has entered into various capital lease agreements with the State Public Works Board (PWB). The PWB issues revenue bonds to finance the construction of these leased facilities. The PWB, which is audited by other auditors, records the net investment in direct financing leases at the net present value of the minimum lease payments. On June 30, 1995, these bonds and the related net investment in direct financing leases, totaling approximately \$1.1 billion and \$831 million, respectively are presented in the enterprise fund type. The UC records the liability and the related trustee investments and fixed assets in the accompanying financial statements. For the year ended June 30, 1995, the outstanding liability, recorded as capital leases, was \$1.1 billion. This amount represents the total liability for the revenue bonds issued by the Public Works Board to finance the construction of facilities for the UC.

The UC receives an annual appropriation from the State's General Fund. For the year ended June 30, 1995, approximately \$1.7 billion was accrued or disbursed from the General Fund to the UC. This amount is reported as expenditures in the General Fund and as revenues in the UC unrestricted current funds. Since this amount originally came from General Fund revenues and was ultimately spent in the UC funds, revenues and expenditures in the amount of \$1.7 billion are reported twice in the accompanying financial statements (See Note 1A).

Cash and Pooled Investments and Other Investments

Investments of all funds are stated at cost at the date of acquisition or, in the case of gifts, at quoted market value at the date of donation, with the exception of University of California Retirement System investments which are stated at market value.

Real estate is stated at depreciated value.

Investments include equities, high-yield equities, bonds, and real estate. The equity portion of the investment portfolio includes common stocks, several venture capital partnerships, and emerging market funds. The UC actively participates in a securities lending program as a means to augment income. At June 30, 1995, securities with a value of approximately \$4.0 billion were on loan to brokerage firms.

Included in temporary investments is the UC's Short-Term Investment Pool. Participating funds earn income based on their average investment in the pool. This pool invests primarily in U.S. Treasury securities, and prime grade commercial paper and short-term corporate notes; at June 30, 1995, these investments had a book value of \$2.8 billion and a market value of \$2.9 billion. The pool also invests in loans to faculty members for housing purchases under the UC's Mortgage Origination Program. The loans have terms up to 30 years; principal outstanding at June 30, 1995, was \$159 million.

Investments other than temporary investments include equities, bonds, high-yield equities, and real estate. Approximately 97 percent of the investments are held by the regents' custodian bank as an agent for the regents in the name of the custodian bank's nominee. Table 26 presents the investments as of June 30, 1995.

Table 26

Schedule of University of California Investments

June 30, 1995 (In Thousands)

Investment	Endowment and Similar Funds		University of California Retirement System Funds	
	Carrying Value	Market Value	Cost	Market Value
Equities.....	\$ 606,966	\$ 1,440,923	\$ 6,105,255	\$ 14,340,074
Bonds.....	383,378	404,162	4,179,318	4,855,227
High yield securities.....	124,628	222,857	1,022,531	1,709,345
Mortgage loans and notes....	2,740	2,483	716	637
Miscellaneous investments...	3,640	3,640	1,783,161	1,918,255
Real estate.....	5,330	—	—	—
Total.....	\$ 1,126,682	\$ 2,074,065	\$ 13,090,981	\$ 22,823,538

Cash deposits held in bank accounts at June 30, 1995, totaled approximately \$9 million. Of this amount, \$500,000 was insured by the FDIC.

Cash and temporary investments of \$403 million included in the plant funds group are held by trustees and pledged for future payments of principal, interest, construction, and renewal and replacement in accordance with various indenture requirements and other long-term debt agreements.

Due from Primary Government

The due from primary government account balance reflects \$224 million that is due to UC for administrative expenses from the General Fund and special revenue funds.

Revenue Bonds and Other Long-Term Debt

Revenue bonds and certificates of participation are secured by the revenues of the individual projects as well as certain other UC revenues.

During the year, the UC issued approximately \$104 million in Research Facilities Revenue Bonds for the construction and equipping of research facilities at three campuses.

Table 27 shows the aggregate maturities of long-term debt for each of the five fiscal years subsequent to June 30, 1995.

Table 27

Schedule of University of California Long-Term Debt Maturities
(In Thousands)

Year Ending June 30	Amount
1996.....	\$ 176,469
1997.....	222,997
1998.....	144,351
1999.....	127,358
2000.....	128,247

The above liabilities do not include \$1.1 billion of various defeased liabilities. Investments which have maturities and interest rates sufficient to fund retirement of these liabilities are being held in irrevocable trusts for the debt service payments. Neither the assets of the trusts nor the outstanding obligations are included in the accompanying balance sheet.

University of California Retirement System

Plan Description: Most UC career employees participate in the University of California Retirement System (UCRS). UCRS consists of a defined benefit plan (the Retirement Plan) funded with UC and employee contributions, a defined benefit plan for UC employees who elected early retirement under the PERS Voluntary Early Retirement Incentive Program (PERS-VERIP), and two defined contribution plans with several investment portfolios funded with employee and elective contributions. At June 30, 1995, the Retirement Plan had over 91,300 active members, 80,200 of whom also participate in Social Security.

Investment Matters: The UCRS has investments in equities, bonds, high-yield equities, mortgage loans, and other miscellaneous investments. The UCRS' investments are reported at market value.

Actuarial Present Value of Accumulated Plan Benefits: Actuarial methods and assumptions include the expected return on actuarial value of assets at 7.5 percent, as well as valuing actuarial assets based on a five-year moving average of market values.

The actuarial present value of accumulated UCRS plan benefits at June 30, 1995, was \$12.3 billion, composed of vested benefits of \$11.9 billion and nonvested benefits of \$324 million. The actuarial present value excludes future salary increases while actual future benefits will be based upon then-current salary levels. When projections for future salary increases are included in this calculation, the actuarial present value of accumulated plan benefits is \$14.9 billion. Net assets available for benefits were \$20.1 billion at June 30, 1995.

Funding Policy: The UCRS is funded through the UC and employee contributions. The pension expense related to the UCRS was \$17.9 million for fiscal year 1994-95. In 1984, the State agreed to pay \$66.5 million in actuarially equivalent annual installments over 30 years. In 1989-90, the State agreed to pay \$57.2 million in actuarially equivalent annual installments over 30 years. At June 30, 1995, the amount due from the State was \$110 million. That amount is recorded as a receivable from the State and as an interfund payable and receivable between the UC's unrestricted current and retirement plan funds.

Certain employees participate in the Public Employees' Retirement Fund (PERF). Pension expense paid to PERF was \$4.2 million for fiscal year 1994-95. For those employees who participated in PERF, a special defined benefit provision plan, providing lifetime supplemental retirement income and survivor benefits, was provided to those who elected early retirement under the Voluntary Early Retirement Incentive Plan. The cost of the plan is to be paid into UCRS annually by the UC and three major Department of Energy laboratories in actuarially determined installments through 1996. Pension expense related to this plan for the year ended June 30, 1995, was \$2.7 million. The remaining \$2.7 million to be paid into UCRS over the next year is not reflected in the UC's financial statements.

Postretirement Health Care Benefits

In addition to pension benefits, the UC provides certain health plan benefits to retired employees. Employees who meet specific requirements may continue their medical and dental benefits into retirement and continue to receive UC contributions for those benefits. There are more than 33,800 retirees currently eligible to receive such benefits. The cost of retiree medical and dental coverage is recognized when paid. The cost of providing medical and dental benefits for retirees and their families and survivors in fiscal year 1994-95 was \$98 million.

Commitments and Contingencies

As of June 30, 1995, the UC had authorized construction projects totaling \$695 million.

The UC is contingently liable in connection with claims and contracts, including those currently in litigation, arising in the normal course of its activities. Several of these claims are related to medical malpractice. The UC maintains self-insurance reserves for medical malpractice claims, workers' compensation claims, and certain other risks. Such risks are subject to various per-claim and aggregate limits, with excess liability coverage provided by an independent insurer. UC management and General Counsel are of the opinion that the outcome of such matters will not have a material effect on the financial statements.

Rental expenditures for noncancelable operating leases totaled \$68 million during fiscal year 1994-95. Minimum required payments for fiscal year 1995-96 are \$35 million. These payments will decrease in subsequent years.

B. Special Purpose Authorities

The **State Compensation Insurance Fund (SCIF)** is a self-supporting enterprise created to offer insurance protection to employers at the lowest possible cost. It operates in competition with other insurance carriers to provide services to the State, county, city, school district, or other public corporations. The SCIF is legally separate from the State. It is a component unit of the State because the State appoints all five voting members of the SCIF's governing board and has the authority to approve or modify the budget for support of the SCIF to run the workers' compensation benefit program. Copies of the SCIF's financial statements may be obtained from the State Compensation Insurance Fund, 1275 Market Street, San Francisco, California 94103.

State legislation created various **Conduit Financing Authorities** to provide certain private and public entities with a low-cost source of financing for use in purchasing land or equipment, constructing facilities, or providing low-cost student loans or housing that are deemed to be in the public interest. This debt is secured solely by the credit of the private and public entities and, except for the Pollution Control Bonds administered by the State Treasurer's Office, is administered by trustees independent of the State. The conduit financing authorities are legally separate from the State. The governing boards of the conduit financing authorities either consist of state officials serving as required by law or the State appoints a voting majority of the governing board. Below is a list and description of the conduit financing authorities:

The *California Alternative Energy and Advanced Transportation Financing Authority* was expanded by Chapter 1218, Statutes of 1994 to include the financing and development of advanced transportation technologies. Originally called the California Alternative Energy Source Financing Authority, this authority was established by Chapter 908, Statutes of 1980, for the purpose of providing California industry an alternative method of financing the construction and installation of facilities using alternative

methods and sources of energy. At June 30, 1995, the California Alternative Energy and Advanced Transportation Financing Authority had approximately \$101 million of debt outstanding, which is not debt of the State. Copies of the financial statements may be obtained from the California Alternative Energy and Advanced Transportation Financing Authority, 915 Capitol Mall, Room 466, Sacramento, California 95814.

The *California Pollution Control Financing Authority* was established by Chapter 1257, Statutes of 1972, for the purpose of providing California businesses with a reasonable method of financing pollution control facilities and to foster compliance with government imposed environmental standards and requirements. At June 30, 1995, the California Pollution Control Financing Authority had approximately \$4.2 billion of debt outstanding, which is not debt of the State. Copies of the financial statements may be obtained from the California Pollution Control Financing Authority, 915 Capitol Mall, Room 466, Sacramento, California 95814.

The *California Health Facilities Financing Authority* was established by Chapter 1033, Statutes of 1979, to issue revenue bonds, to assist qualified private nonprofit corporations or associations, counties and hospital districts in financing or refinancing the construction, equipping, or acquiring of health facilities. At June 30, 1995, the California Health Facilities Financing Authority had approximately \$4.7 billion of outstanding debt, which is not debt of the State. Copies of the financial statements may be obtained from the California Health Facilities Financing Authority, 915 Capitol Mall, Suite 590, Sacramento, California 95814.

The *California Educational Facilities Authority* was established by Chapter 1010, Statutes of 1976, for the purpose of issuing revenue bonds to assist private educational institutions of higher learning in the expansion and construction of nonsectarian educational facilities. At June 30, 1995, the California Educational Facilities Authority had approximately \$1.3 billion of outstanding debt, which is not debt of the State. Copies of the financial statements may be obtained from the California Educational Facilities Authority, 915 Capitol Mall, Suite 470, Sacramento, California 95814.

The *California School Finance Authority* was established by Chapter 1438, Statutes of 1985, for the purpose of providing loans to school and community college districts to assist in obtaining equipment and new school sites, constructing new facilities, reconstructing existing facilities, and acquiring portable and relocatable buildings. At June 30, 1995, the California School Finance Authority had approximately \$21 million in outstanding debt, which is not debt of the State. Copies of the financial statements may be obtained from the California School Finance Authority, 915 Capitol Mall, Suite 470, Sacramento, California 95814.

The *California Student Loan Authority* was created by Chapter 1357, Statutes of 1980, for the purpose of providing funds through revenue bonds in order to allow California

college students greater access to low-cost federally reinsured student loans. Copies of the financial statements may be obtained from the California Student Loan Authority, 915 Capitol Mall, Suite 470, Sacramento, California 95814.

The *California Housing Finance Agency* was created for the purpose of meeting the housing needs of persons and families of low and moderate income. Copies of the financial statements may be obtained from California Housing Finance Agency, 1121 L Street, Sacramento, California 95814.

The *California Economic Development Financing Authority* was created by Chapter 753, Statutes of 1994, for the purpose of issuing revenue and general obligation bonds to finance business development and public infrastructure projects. Copies of the financial statements may be obtained from the California Economic Development Financing Authority, 801 K Street, Suite 1600, Sacramento, California 95814.

District Authorities, which were created by state legislation, are legally separate from the State, provide services outside of the State and meet the other criteria of discretely presented component units. Below is a list and description of the district authorities:

District Agricultural Associations are authorized by Chapter 3 of the California Food and Agricultural Code to hold fairs, expositions and exhibitions for the purpose of exhibiting all of the industries and industrial enterprises, resources and products of the State. The District Agricultural Associations are also authorized to construct, maintain, and operate recreational and cultural facilities of general public interest. Copies of the financial statements may be obtained from the Department of Food and Agriculture, Division of Fairs and Expositions, 1010 Hurley Way, Suite 200, Sacramento, California 95825.

The *San Joaquin River Conservancy* was created by Chapter 1012, Statutes of 1992, for the purpose of acquiring and managing public lands within the San Joaquin River Parkway. Copies of the financial statements may be obtained from the California Department of Parks and Recreation, 1416 Ninth Street, Room 1040, P.O. Box 942892, Sacramento, California 94296-0001.

Table 28 and Table 29 present summary financial statements for discretely presented component units.

Table 28**Condensed Balance Sheet - Special Purpose Authorities**

June 30, 1995 (In Thousands)

	SCIF	Conduit Financing Authorities	District Authorities	Total
ASSETS				
Current assets.....	\$ 747,795	\$ 433,707	\$ 30,405	\$ 1,211,907
Investments.....	6,048,855	870,431	1,781	6,921,067
Due from primary government.....	6,668	—	—	6,668
Advances and loans receivable.....	—	3,254,231	—	3,254,231
Fixed assets.....	215,560	165	324,342	540,067
Total Assets.....	\$ 7,018,878	\$ 4,558,534	\$ 356,528	\$ 11,933,940
LIABILITIES				
Current liabilities.....	\$ 681,974	\$ 286,319	\$ 7,309	\$ 975,602
Benefits payable.....	4,891,291	—	—	4,891,291
Revenue bonds payable.....	—	3,750,980	—	3,750,980
Contracts and notes payable..	—	—	44,925	44,925
Total Liabilities.....	5,573,265	4,037,299	52,234	9,662,798
FUND EQUITY				
Retained earnings				
Reserved for regulatory requirements.....	100,000	369,996	—	469,996
Unreserved.....	1,345,613	151,239	304,294	1,801,146
Total Fund Equity.....	1,445,613	521,235	304,294	2,271,142
Total Liabilities and Fund Equity.....	\$ 7,018,878	\$ 4,558,534	\$ 356,528	\$ 11,933,940

Table 29**Combined Statement of Revenues, Expenses, and Changes in Retained Earnings - Special Purpose Authorities**

Year Ended June 30, 1995 (In Thousands)

	SCIF	Conduit Financing Authorities	District Authorities	Total
Operating Revenues				
Earned premiums (net).....	\$ 1,456,788	—	—	\$ 1,456,788
Other revenue.....	—	\$ 322,708	\$ 101,634	424,342
Total Operating Revenues.....	1,456,788	322,708	101,634	1,881,130
Operating Expenses				
Benefit payments.....	1,034,403	—	—	1,034,403
Interest expense.....	—	234,404	—	234,404
Other operating expenses.....	198,889	55,222	109,770	363,881
Total Operating Expenses.....	1,233,292	289,626	109,770	1,632,688
Operating income (Loss).....	223,496	33,082	(8,136)	248,442
Nonoperating Revenues (Expenses)				
Interest revenue.....	501,151	732	71	501,954
Other nonoperating revenues (expenses).....	—	—	3,455	3,455
Net Nonoperating Revenues (Expenses).....	501,151	732	3,526	505,409
Operating Transfers In (Out).....	—	(190)	3,942	3,752
Net Income (Loss).....	724,647	33,624	(668)	757,603
Dividends paid.....	(339,092)	—	—	(339,092)
Retained Earnings, July 1, 1994, restated.....	1,060,058	487,611	304,962	1,852,631
Retained Earnings, June 30, 1995.....	\$ 1,445,613	\$ 521,235	\$ 304,294	\$ 2,271,142

Significant Accounting Policies

The financial statements of the State Compensation Insurance Fund have been prepared in conformity with accounting practices prescribed or permitted by the Department of Insurance of the State of California. These accounting practices represent a comprehensive basis of accounting other than GAAP. These statements do not include, as due from primary government, the amount of worker's compensation claims which will be paid by the State. As a result, the due from primary government is less than the due to component units by \$753 million. The Board of Directors of the State Compensation Insurance Fund declares dividends payable to policy holders who meet the premium volume and loss experience criteria established by the Board. The dividends paid shown on the Statement of Revenues, Expenses and Changes in Retained Earnings/Fund Balances for Special Purpose Authorities are for these dividends paid to policy holders. The financial statements of the State Compensation Insurance Fund, included as a component unit, are as of and for the year ended December 31, 1994.

The financial statements of the District Agricultural Associations have been prepared in conformance with the reporting requirements of the State Department of Agriculture. These reporting requirements are not in conformance with GAAP. The financial statements of the District Agricultural Associations, included as component units, are as of and for the year ended December 31, 1994.

The accounts of the remaining special purpose authorities are reported using the accrual basis of accounting. Under the accrual basis, revenues are recognized when they are earned, and expenses are recognized when they are incurred.

Fixed Assets—Property and Depreciation

Depreciation on buildings for the State Compensation Insurance Fund is computed on a straight-line basis over the estimated useful lives of the buildings (40 to 50 years). Data processing equipment owned by the State Compensation Insurance Fund is carried at cost less accumulated depreciation computed on a straight-line basis over the estimated useful lives of the equipment (3 to 5 years).

Cash and Pooled Investments and Investments

Cash in excess of needs of the various authorities are invested in the State Treasurer's Pooled Investment program. Additionally, state law, bond resolutions, and investment policy resolutions allow the authorities to invest in United States government securities, Canadian government securities, state and municipal securities, commercial paper, corporate bonds, investment agreements, and other investments.

All investments reported as of June 30, 1995, were insured or registered in an authority's name or held by an authority or an agent of an authority in the authority's name. Table 30 presents the carrying value and market value of the investments of the special purpose authorities that were reported to the State on June 30, 1995.

Table 30

Schedule of Investments - Special Purpose Authorities

June 30, 1995 (In Thousands)

Investments	Carrying Value	Market Value
Government Securities:		
U.S. and U.S. agency.....	\$ 3,850,431	\$ 3,788,465
Canadian government.....	44,611	45,980
State and municipal.....	25,092	23,632
Commercial paper.....	9,781	9,781
Corporate bonds.....	2,189,505	2,044,044
Investment agreements.....	745,787	745,787
Money market.....	35,940	35,940
Other.....	19,920	19,920
Total.....	\$ 6,921,067	\$ 6,713,549

Included in the investments of the special purpose authorities are the investments of the State Compensation Insurance Fund as of and for the year ended December 31, 1994. The State Compensation Insurance Fund represents 93 percent of the carrying value and 92 percent of the market value of the authorities' investments.

Due from the Primary Government

The due from the primary government account balance reflects \$6.7 million that is due to the State Compensation Insurance Fund from the State's General Fund, and \$223.5 million that is due to the UC for administrative expenses from the General Fund and special revenue funds.

Restricted Assets

Cash and pooled investments of \$340 million, investments of \$853.7 million, and other assets of \$98 million were restricted for debt service.

Fixed Assets

Table 31 presents property and data processing equipment for the authorities.

Table 31

Schedule of Fixed Assets - Special Purpose Authorities

June 30, 1995 (In Thousands)

Fixed Assets	Amount
Real estate:	
Office building.....	\$ 329,787
Land.....	38,049
Furniture and equipment.....	53,120
Construction in progress.....	529
Total Fixed Assets.....	421,485
Less: Accumulated depreciation.....	(86,345)
Net Fixed Assets.....	\$ 335,140

The schedule of fixed assets does not include the unaudited fixed assets of the district agricultural associations totaling approximately \$205 million.

Revenue Bonds

Under State law, the California Housing Finance Agency (CHFA) may issue revenue bonds. The bonds issued by the CHFA allow the State to make loans to finance housing developments and to finance the acquisition of homes by low to moderate income families. When the housing development and home loans financed by the revenue bonds are fully paid, the housing developments and homes become the property of private individuals or entities. Principal and interest on the revenue bonds issued by the CHFA are payable from its earnings.

Changes in Bond Indebtedness

Table 32 summarizes the changes in revenue bond debt of these authorities for the year ended June 30, 1995.

Table 32**Schedule of Changes in Revenue Bond Debt - CHFA**

Year ended June 30, 1995 (In Thousands)

	Amount
Balance July 1, 1994.....	\$ 3,166,634
Additions.....	1,378,835
Deduction.....	(794,488)
Balance June 30, 1995.....	<u>\$ 3,750,981</u>

Debt Service Requirements

Table 33 shows the debt service requirements for revenue bonds, excluding interest.

Table 33**Schedule of Debt Service Requirements - CHFA**

(In Thousands)

Year Ending June 30	Amount
1996.....	\$ 44,665
1997.....	54,910
1998.....	62,015
1999.....	63,860
2000.....	65,326
Thereafter.....	3,473,539
Total.....	<u>\$ 3,764,315</u>

Total interest payments for the year ended June 30, 1995 was \$223 million.

Fiscal Year 1994-95 Defeasances

In December 1993, the CHFA issued Single Family 1993 Series B Home Mortgage Revenue Bonds to refund 1978 Series A, B, C, and D, 1979 Series A and B, and 1991 Series A Home Ownership and Home Improvement Revenue Bonds.

In February and in June 1994, the CHFA issued Housing Revenue Bonds (Insured), 1994 Series A and 1994 Series C and D to refinance development loans originally funded with the proceeds of 1985 A, 1985 B, and 1987 A bonds of the same indenture. Also in June 1994, the CHFA delivered Multi-Unit Rental Housing Revenue Bonds II 1994 Series A for which escrow receipts were sold in June 1992 to redeem 1984 Series A bonds of that indenture when they became subject to optional redemption.

As proceeds from the bonds sold or delivered in June 1994 were used to redeem bonds on August 1, 1994, the CHFA considered

these transactions as in-substance defeasances and, accordingly, removed from the combined balance sheet the bonds payable and related accounts and the assets acquired to effect the redemptions. Total bonds defeased were \$13.7 million for the Housing Revenue Bonds (Insured) Indenture and \$11.7 million for the Multi-Unit Rental Housing Revenue Bonds II Indenture.

In August 1993, the CHFA redeemed a portion of the bonds outstanding of the Multi-Unit Rental Housing Revenue Bonds I 1981 Series B Indenture. In February 1994, the CHFA redeemed all remaining bonds outstanding of the Multi-Unit Rental Housing Revenue Bonds I 1981 Series A and 1981 Series B with sources of funds not currently held under the lien of the indenture.

On March 1, 1994, the CHFA redeemed Insured Housing Revenue Bonds 1985 Series A and 1985 Series B in connection with the issuance of the 1994 Series A refunding bonds, held under the same indenture.

Commitments

As of June 30, 1995, the CHFA has outstanding commitments to provide \$1.8 million for loans under the multifamily Housing Revenue Bonds (Insured) Program, \$18.9 million for loans under the Multi-Unit Rental Housing Revenue Bonds I Program, and \$166 million for loans under the Home Mortgage Revenue Bonds Program.

At December 31, 1994, State Compensation Insurance Fund (SCIF) was committed under the terms of renewable leases for 18 offices. Table 34 summarizes the minimum annual rental commitments.

Table 34

Schedule of Lease Commitments - SCIF

(In Thousands)

Year Ending June 30	Amount
1995.....	\$ 17,581
1996.....	17,023
1997.....	13,412
1998.....	6,722
1999.....	3,487
Thereafter.....	2,180
Total.....	\$ 60,405

Subsequent Events

From July 1, 1995 to December 15, 1995, the California Housing Finance Agency and the California Educational Facilities Authority, issued approximately \$366 million and \$38 million respectively, in revenue bonds. Refunding bonds, which are issued to refinance existing debt, accounted for approximately \$75 million and \$21 million, respectively, of the bonds issued.

From July 1, 1995 to December 15, 1995, the California

Economic Development Financing Authority, the California Health Facilities Financing Authority, and the California Pollution Control Financing Authority issued approximately \$21 million, \$15 million and \$61 million, respectively, in revenue bonds.

From July 1, 1995 to December 15, 1995, the California Health Facilities Financing Authority issued approximately \$5 million in long term notes.

Table 35 summarizes the California Housing Finance Agency bonds redeemed subsequent to June 30, 1995.

Table 35

Schedule of Redeemed Bonds

(In Thousands)

Programs	Amount
Redeemed on August 1, 1995	
Multi-Unit Rental Housing Revenue Bonds I.....	\$ 9,555
Multi-Unit Rental Housing Revenue Bonds II.....	1,966
Multifamily Rehabilitation Revenue Bonds.....	105
Housing Revenue Bonds (Insured).....	11,970
Home Mortgage Revenue Bonds.....	60,370
Home Ownership Mortgage Bonds.....	1,591
Redeemed on September 1, 1995	
Home Mortgage Revenue Bonds.....	7,745

NOTE 26.

JOINT VENTURE

A joint venture is an entity that results from a contractual arrangement and that is owned, operated, or governed by two or more participants as a separate and specific activity subject to joint control, in which the participants retain an ongoing financial interest or an ongoing financial responsibility.

The **Capital Area Development Authority** (CADA) was created in 1978 by the Joint Exercise of Powers Agreement (JPA) between the State of California (State) and the City of Sacramento (City) for the location of state buildings and other improvements in the central City. The CADA is a public entity separate from the State and the City and is administered by a board of five members: two members appointed by the State, two members appointed by the City, and the fifth member appointed by the affirmative vote of at least three of the other four members of the board. The State designates the chairperson of the board. Although the State does not have an equity interest in the CADA, it has an ongoing financial interest in the CADA. Based upon the appointment authority, the State has the ability to indirectly influence the CADA to undertake special projects for the citizenry of the State. The State subsidizes the CADA's operations by leasing the lands to the CADA without consideration; however, the State is not obligated to do so. Separately issued financial statements of the CADA can be obtained from its administrative office at 1230 N Street, Suite 200, Sacramento, California 95814.